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ABSTRACT

This instructor's manual contains activities for teaching money management, financial planning, and obtaining and using credit. It is designed for use in three to four periods in classes in prevocational education in South Carolina. The guide describes the activities, sets goals for student attainment, provides instructional objectives to meet the goals, and then gives directions for implementing the activities (including materials and resources required, class preparation, and class presentation). The guide also contains seven student worksheets with answer keys and seven transparency masters for duplication. (KC)

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WORLD OF WORK — MONEY MANAGEMENT, FINANCE, AND CREDIT

Kit No. WW-702

INSTRUCTOR'S MANUAL

State Department of Education
Office of Vocational Education
Prevocational Education
Columbia, South Carolina 29201

1984

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1984

TITLE OF ACTIVITY

Kit No. 702 - World of Work: Money Management, Finance, and Credit

DURATION

Main Activity - 3 to 4 periods

GOALS

The student will understand the need for money management.

The student will understand the importance of developing a plan for spending money.

The student will be made aware of the definition of credit.

The student will be made aware of advantages and disadvantages of using credit.

The student will become aware of the sources of credit.

The student will be made aware of the responsibilities associated with obtaining credit.

The student will understand the method for figuring the cost of credit.

The student will be made aware of the various methods used in the inducement of credit.

INSTRUCTIONAL OBJECTIVES

The student will list things he/she wants now and in the future.

The student will calculate the amount of money he/she can count on as income.

The student will classify money spent for a week according to fixed and flexible expenses.

The student will subtract the calculated expenses from the estimated income.

The student will identify a spending plan in writing to meet individual needs.

The student will answer "Yes" or "No" on the Checksheet for making a spending plan.

The student will verbally define the term "credit."

The student will discuss advantages and disadvantages of credit buying.

The student will discuss the sources of credit.

The student will discuss how to get and keep a good credit rating.

Given a credit problem, the student will calculate the cost of using credit.

The student will construct a bulletin board illustrating various inducements for credit using samples collected from magazines, newspapers, television, or through the mail.

VOCATIONAL CLUSTERS

Agriculture Education
Marketing and Distributive Education
Health Occupations Education
Home Economics Education
Business Education
Trade and Industrial Education

ACTIVITY IMPLEMENTATION

A. Activity Description

Through the use of transparencies, class discussion, and individual exercises, the student will understand the need for money management and the importance of developing a plan for spending money. The student will also find out about sources of credit and the responsibilities associated with it.

B. Safety

Care should be taken when using scissors and stapler to prevent cuts.

C. Materials Required

1. Audio Visual Equipment
   Projector screen
   Overhead projector
   16 mm. projector (if free film is used)

2. Technical Materials
   Transparencies:
-- Human Wants Vary
-- Why Have a Spending Plan?
-- Making a Spending Plan
-- What Is Credit?
-- You May Use Credit
-- Credit to Borrow Money
-- Reasons for and Against Credit
-- Where to Get Credit
-- How's Your Credit Rating?
-- Protect Your Credit Rating
-- You Pay Money to Use Credit
-- Figuring the Cost of Credit
-- Buying a Car
-- To Figure the Dollar Cost of Credit
-- When You Buy "On Time"

3. Expendable Materials
   (Most of these are available school supplies.)
   Pencils with erasers (Have students bring these.)
   Paper for activities
   Colored construction paper for bulleting board activity
   Stapler and staples
   Scissors - 4 or 5 pairs

D. Preparation Prior to Class

Study materials.
Schedule date for overhead projector.

Ask each student to bring paper and a pencil with an eraser to class.

Reproduce worksheets 1 - 7.

E. During Class Session

Show and explain transparencies 1 through 3. Try to get class involved through discussion and questions.

Using worksheet No. 1, ask students to make a spending plan by listing the things they want now and in the future. After they have completed Step 1 ask them to start thinking about how they will save for things they want in the future.

Using worksheet No. 2 for Step 2, ask students to figure the amount of money they can count on as income. If students have part-time jobs, discuss with group about deductions such as federal and state withholdings and Social Security. There also might be deductions for group insurance. In Step 2, students are now ready to determine how much money they have coming in and whether it is weekly, bi-monthly, monthly, or yearly.

Using worksheet No. 3, have students figure their expenses as Step 3. Expenses should be broken down to thosed fixed and flexible.

Using worksheet No. 4, students should now be able to subtract expenses from income as Step 4 to determine whether they should earn more, spend less, or adjust their goals.

Using worksheet No. 5, the student is ready to devise a spending plan as Step 5. As each plan will be individual, circulate around the room to be sure each person is following the spending plan correctly.

After the students have completed their spending plan, have them complete the checksheet which is worksheet No. 6.

Discuss credit. Use transparencies 4, 5, and 6.

Have the students present their ideas on advantages of credit. Use transparency 7.

Have students discuss their ideas on the disadvantages of credit buying. Use transparency 8 to supplement the discussion.

Discuss how to get and keep a good credit rating. Use transparencies 9 and 10 to supplement the discussion.

Work example problems on figuring the cost of credit. Use transparencies 11, 12, 13, and 14 to illustrate.

Summarize the use of credit using transparency 15.

Have students figure the cost of credit buying. Use worksheet 7.

From magazines, newspapers, television, or through the mail, collect samples which illustrate various inducements for credit. Ask students to collect as many as they can. Let volunteers take class samples and prepare a bulletin board. Have discussion of completed bulletin board to see which media seems to be the most influential.

ANSWER KEY

Student Worksheet No. 7

STEP 1 -	$35	amount of payments
	x 24	number of payments
	$840.00	
STEP 2 -	$840	total paid monthly
	+$100	down-payment
	$940	total "on time" price
STEP 3 -	$940	total "on time" price
	- $800	cash price
	$140	how much it costs to use credit

MASTERS FOR DUPLICATION

Student Worksheet No. 1
Student Worksheet No. 2
Student Worksheet No. 3
Student Worksheet No. 4
Student Worksheet No. 5
Student Worksheet No. 6
Student Worksheet No. 7

STUDENT WORKSHEET 1

MAKING A SPENDING PLAN

Step 1

List the things you want now and in the future -- your goals. Find out the cost of these things. Start thinking about how you will save for things you want in the future.

THINGS YOU WANT			
Now	**Cost**	**Future**	**Cost**
	Total		Total

STUDENT WORKSHEET 2

Step 2

Figure the amount of money you can count on -- your income. Remember if you have a part-time job, certain amounts of money will be deducted from your total earnings. For example, if you work 20 hours at $3.35 per hour, you earn $67.00 per week. However, your paycheck will amount to $56.05 due to the following deductions:

State Withholding	$1.66
Federal Withholding	4.80
FICA (Social Security)	4.49

In addition, if you participate in a group insurance plan or other benefits of this type, you may have deductions.

The following form is one method you can use to figure the amount of money you have coming in.

How much money do you have coming in?				
Where do you get your money	When do you get money?			
	Weekly	Bi-monthly	Monthly	Yearly
Total				

STUDENT WORKSHEET 3

Step 3

Figure your expenses. List expenses you must cover. These are fixed expenses. List other expenses you expect to have. These expenses are classified as flexible expenses since they may vary from week to week and also vary in amounts.

One way to determine your expenses is by keeping a record of how you spend your money for a week or more. This will give you an idea of where your money goes.

MONEY SPENT								
ITEMS	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.	Sun.	Total
Snacks/Meals								
Clothing								
School Supplies								
Recreation								
Transportation								
Personal Exp.								
Savings								
Gifts and Contributions								
Other								
Total spent for the week								

STUDENT WORKSHEET 4

Step 4

Subtract your expenses from your income. Is there enough money? If not, you can adjust your goals, spend less money or earn more money.

TOTAL INCOME $ _____

EXPENSES – _____

BALANCE $ _____

STUDENT WORKSHEET 5

Step 5

Make a plan. Look at the way you spent your money. Your records will give you some idea of the things you need to include and possibly some you could do without. Study the list of present and future "wants". Can some of these be included in your spending plan?

Remember, if you have a plan, it can help you control how you spend your money and you will know where your money goes.

MY SPENDING PLAN

For the week of _____
(DATE)

Money on hand $ _____ (This includes $_____ savings)

Income expected $ _____

Total Available $ _____; of this I plan to spend $ _____ .

ITEMS	Plan to Spend	What I Did Spend							
		Mon	Tues	Wed	Thur	Fri	Sat	Sun	Total
Snacks and Meals									
Clothing									
School Supplies									
Recreation									
Transportation									
Personal Expenses									
Savings									
Gifts and Contributions									
Other									
Total spent for the week									

Money I had plus actual income $ _____
Minus money spent $ _____
Leaves balance on hand $ _____

STUDENT WORKSHEET 6

CHECKSHEET FOR MAKING A SPENDING PLAN

		YES	NO
1.	Did you list the things you want now and in the future?	___	___
2.	Did you figure the amount of your income?	___	___
3.	Did you keep a record of your expenses for a week or more?	___	___
4.	Did you make a spending plan?	___	___
5.	Did you follow the plan for a week and record all the money you spent?	___	___
6.	Did you spend more than you had planned to spend?	___	___
7.	Do you think a plan can help you live within your income?	___	___

STUDENT WORKSHEET 7

Tom has found a used car in good condition at a local used car lot. He can buy the car for $800 cash or he can buy it with a $100 down payment and pay $35 per month for two years. How much more money will he actually pay for the car if he buys it on credit?

STEP 1.

Multiply the amount of each payment by the number of monthly payments

_____ amount of payments
x _____ number of payments
Total paid monthly _____

STEP 2.

Add your down-payment.

_____ total paid monthly
\+ _____ down payment
Total "on time" price _____

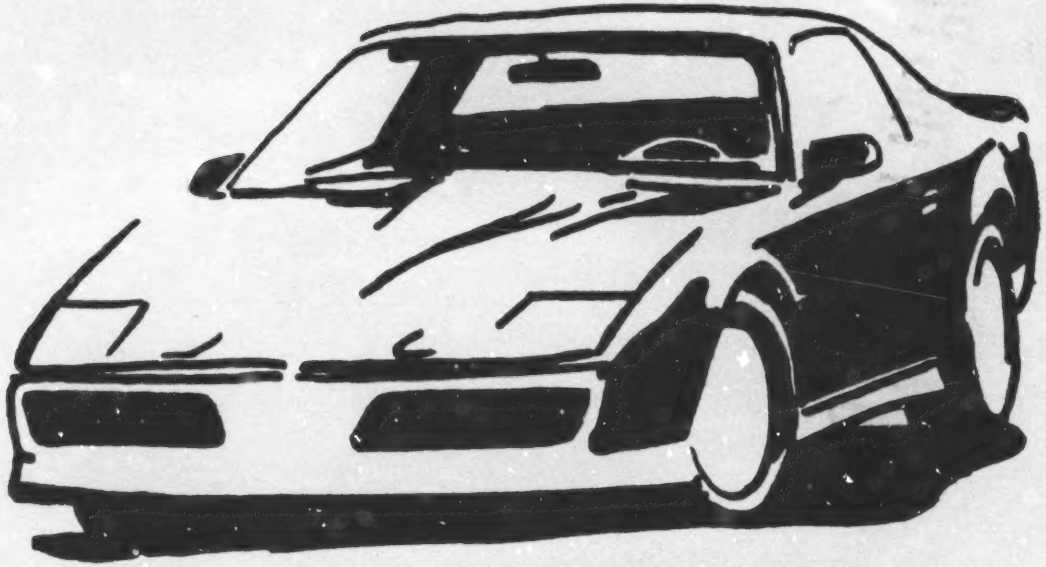
STEP 3.

Subtract cash price.

_____ total "on time" price
– _____ cash price
How much does it cost to use credit? _____

HUMAN WANTS VARY

WHAT DO YOU DO
WITH YOUR MONEY?



Transparency No. 1

WHY HAVE A SPENDING PLAN

1. HELP YOU GET MORE OF THE THINGS YOU NEED AND WANT.

2. HELP YOU LIVE WITHIN YOUR INCOME.

3. HELP YOU IMPROVE SPENDING HABITS.

Transperency No. 2

MAKING A SPENDING PLAN

STEP 1 - LIST THINGS YOU WANT NOW AND IN THE FUTURE - YOUR GOALS.

STEP 2 - FIGURE AMOUNT OF MONEY YOU CAN COUNT ON - YOUR INCOME.

STEP 3 - FIGURE YOUR EXPENSES

LIST EXPENSES YOU MUST COVER - FIXED

LIST OTHER EXPENSES YOU EXPECT - FLEXIBLE

STEP 4 - SUBTRACT YOUR EXPENSES FROM YOUR INCOME
IS THERE ENOUGH MONEY?

IF NOT YOU CAN

EARN MORE

SPEND LESS

ADJUST YOUR GOALS

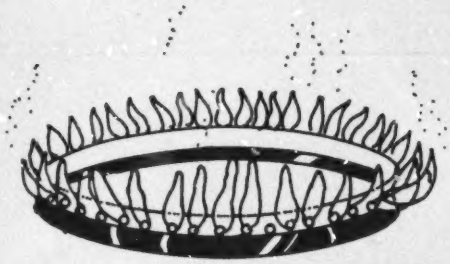
STEP 5 - SET UP YOUR PLAN

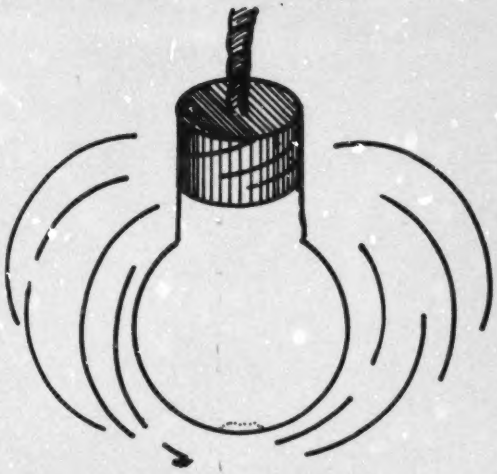
Transparency No. 3

WHAT IS CREDIT

CREDIT - BUYING THINGS AND PAYING FOR THEM LATER

- OR BORROWING MONEY AND PAYING LATER





THE ELECTRIC OR GAS BILL IS AN EXAMPLE OF CREDIT. YOU USE THE ELECTRICITY AND GAS BEFORE YOU PAY FOR THEM.

Transparency No. 4

YOU MAY USE CREDIT

* TO BUY A STEREO

* TO BUY A HOUSE

* TO BUY CLOTHES

* TO BUY A CAR

* TO ESTABLISH A BUSINESS

Transparency No. 5

YOU ALSO USE CREDIT WHEN YOU BORROW MONEY. YOU MUST PAY BACK MORE THAN YOU BORROWED. THE EXTRA CHARGE IS FOR INTEREST. INTEREST IS USUALLY STATED AS A PERCENT (%). YOU CAN ALSO FIGURE IT IN DOLLARS ($).

Transparency No. 6

REASONS FOR AND AGAINST CREDIT

FOR	AGAINST
-CONVENIENT	-EXPENSIVE
-BETTER SERVICE	-OVERSPEND
-HANDY IN EMERGENCIES	-HARD TO UNDERSTAND
-USE THINGS WHILE YOU PAY	-YOU MAY NOT "SHOP" AROUND AS MUCH

Transparency No. 7

WHERE TO GET CREDIT

LEARN ABOUT THE PLACES TO GET CREDIT. THEN YOU CAN SHOP FOR THE LOWEST COST. SOME PLACES THAT OFFER CREDIT ARE:

* STORES
* BANKS
* CREDIT UNIONS
* PERSONAL FINANCE AND SMALL LOAN COMPANIES

Transparency No. 8

HOW'S YOUR CREDIT RATING

YOU WILL BE ABLE TO BORROW MONEY AND BE ABLE TO BUY ARTICLES ON AN INSTALLMENT PLAN IF:

*YOU ALWAYS PAY YOUR BILLS WHEN THEY ARE DUE

*YOU HAVE A JOB AND GET PAID REGULARLY

*YOU OWN THINGS THAT ARE WORTH MORE THAN YOU WANT TO BORROW

IF YOU ARE A BAD CREDIT RISK, YOU MAY HAVE TO GO WHERE THEY CHARGE MORE, SOME STORES MAY NOT LET YOU CHARGE THINGS.

Transparency No. 9

PROTECT YOUR CREDIT RATING

* KEEP YOUR PROMISE TO PAY ON TIME
* LET YOUR CREDITORS KNOW IF YOU CAN'T PAY - BEFORE THE PAYMENT IS DUE
* EXPLAIN WHY. SOMETIMES SOME OTHER AGREEMENT CAN BE MADE

Transparency No. 10

YOU PAY MONEY TO USE CREDIT. BEFORE YOU BUY "ON TIME" OR BORROW MONEY, FIND OUT HOW MUCH IT WILL COST YOU.

TO FIGURE THE DOLLAR COST OF CREDIT:

1. MULTIPLY THE AMOUNT OF EACH PAYMENT BY THE NUMBER OF PAYMENTS YOU WILL MAKE

2. ADD THE DOWN PAYMENT TO YOUR ANSWER

3. SUBTRACT THE CASH PRICE, INCLUDING THE SALES TAX, THE ANSWER IS WHAT YOU PAY FOR CREDIT

Transparency No. 11

FIGURING THE COST OF CREDIT

STEP I. MULTIPLY AMOUNT OF EACH PAYMENT BY TOTAL NUMBER OF PAYMENTS

$30 (AMOUNT OF EACH PAYMENT) X 24 (NO. MONTHLY PAYMENTS) =

$720 (TOTAL MONTHLY PAYMENTS)

STEP II. ADD AMOUNT OF DOWN PAYMENT TO TOTAL MONTHLY PAYMENTS TO FIND TOTAL COST

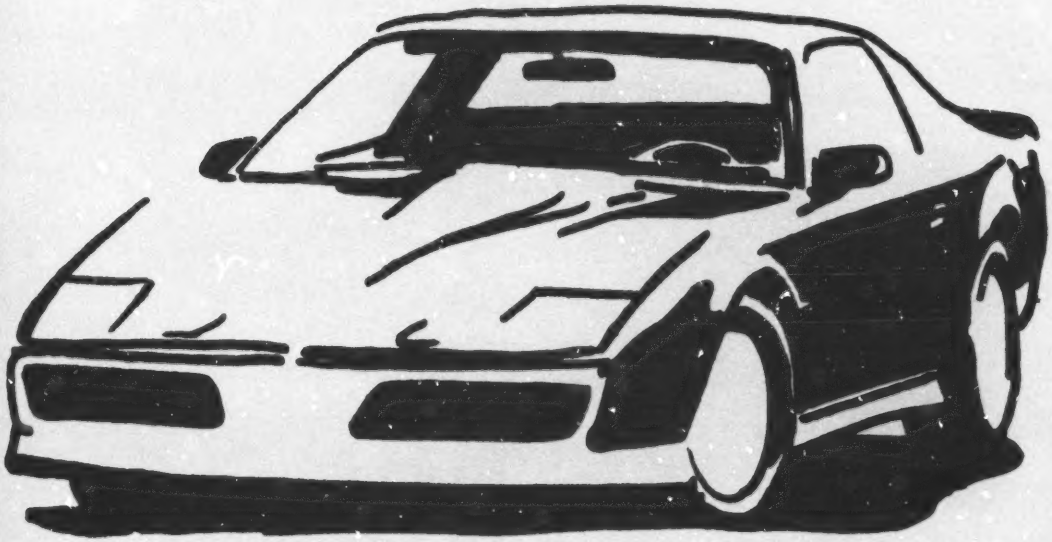
TOTAL MONTHLY PAYMENTS	$720
DOWN PAYMENT	+ 100
TOTAL AMOUNT PAID	$820

STEP III. SUBTRACT CASH PRICE FROM TOTAL AMOUNT PAID TO FIND COST OF CREDIT

TOTAL AMOUNT PAID	$820
CASH PRICE COST	− 600
COST OF CREDIT	$220

Transparency No. 12

BUYING A CAR



PRICE OF CAR = $5,000

SALES TAX $3,000 x .04 = $200

CASH PRICE = $5,200

Transparency No. 13

TO FIGURE THE DOLLAR COST OF CREDIT

AMOUNT OF MONTHLY PAYMENT

NUMBER OF PAYMENTS

ADD DOWN PAYMENT

TOTAL AMOUNT PAID

SUBTRACT CASH PRICE

COST OF CREDIT

Transparency No. 14

WHEN YOU BUY "ON TIME" YOU SAY YOU WILL DO THESE THINGS:

* YOU WILL PAY THE MONEY YOU OWE
* YOU WILL MAKE PAYMENTS AT A CERTAIN TIME
* YOU WILL GIVE BACK WHAT YOU ARE BUYING IF YOU CANNOT FINISH PAYING FOR IT
* YOU WILL NOT SELL WHAT YOU HAVE BOUGHT UNTIL IT IS PAID FOR
* YOU WILL TAKE CARE OF ANY DAMAGE DONE TO IT IF YOU HAVE TO RETURN IT

REMEMBER:

YOU DO NOT OWN WHAT YOU ARE BUYING UNTIL ALL PAYMENTS ARE MADE. YOU CAN USE IT, BUT IT STILL BELONGS TO THE STORE.

Transparency No. 15